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**Sent:** Friday, April 01, 2005 4:58 PM  
**To:** restructure.sizestandards@sba.gov  
**Cc:** wendy.baldwin@uky.edu  
**Subject:** RIN 3245-ZA02 RIN 3245-AF22

Good afternoon:

Thank you for the opportunity to be heard. In short, we need your help, not a rule change that will hurt us further. I have worked with technology start-ups in the Midwest and the south for over 15 years. As you are undoubtedly aware, this part of the country has been grossly underrepresented in the SBIR arena. We already lack the venture capital prevalent in California, Massachusetts, Colorado, and the Eastern seaboard.

This rule change will further exacerbate the problem. It will provide an advantage to VC backed companies. Unless there is a more equitable and reasonable distribution of venture capital, this rule makes no sense. Why further inhibit technology development in the US by diluting the available SBIR pool for non VC backed companies? There is no budget plan I am aware of that expands the available SBIR dollars to make up for those that will be lost to the coasts. In the majority of the country, we do not have the problem of VC's owning 51% of a company. We have a problem having VC's own ANY part of a company. 75% of the venture capital in the US is invested in 4 states.

Biotech companies involved in the health area are likely to go under the umbrella of VCCs sooner than others since these companies may be in the need for a larger sum of funds than the traditional amount of funds available under Phase 1 and 2 of the SBIR/STTR program. However, NIH has made awards in amounts that have far exceeded the normal Phase 1 and 2 grant amounts because of the project needs. Thus, VCCs are likely to be benefited with millions of dollars from NIH if the VC-owned small businesses are allowed to compete.

Similarly, the VCCs will also get a much larger share of contract dollars under Phase 3 (commercialization phase) from federal agencies such as the Department of Defense and NASA when they purchase technologies from their successful Phase 2 award-winning companies.

Thus, there is a larger amount of federal money on the table and just not the SBIR/STTR money for VCCs.

I will forward these comments to our delegation, but I hope you will read and seriously consider them. I appreciate the opportunity to comment, but I must tell you it takes considerable effort for people to find you and comment.

Regards,

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